

**AREA COMMUNITY SERVICE EMPLOYMENT  
AND TRAINING COUNCIL**

**FINANCIAL STATEMENTS**  
June 30, 2005 and 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>ACSET</b>	County <b>KENT</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>3/22/06</b>	Date Accountant Report Submitted to State: <b>4/13/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- CLIENT COPY**
- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>CROWE CHIZEK AND COMPANY LLC</b>			
Street Address <b>55 CAMPAU AVENUE NW SUITE 300</b>		City <b>GRAND RAPIDS</b>	State <b>MI</b>
Accountant Signature <i>Robert J. Chizek CPA</i>		ZIP <b>49503</b>	Date <b>4/12/06</b>

AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
Grand Rapids, Michigan

FINANCIAL STATEMENTS  
June 30, 2005 and 2004

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AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL  
MANAGEMENT DISCUSSION AND ANALYSIS  
Years ended June 30, 2005 and 2004

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This section of the Area Community Services Employment and Training Council ("Council") financial report provides a discussion and analysis of the financial performance during the years ended June 30, 2005 and 2004. Please read it in conjunction with the accompanying financial statements and footnotes which immediately follow this section.

### Financial Highlights

#### *General Fund Activities*

- Total fund balance for the General Fund decreased \$21,478 which represents a 14.5% decrease from year-end 2004. This decrease is a result of certain Community Action programs which operate on a per diem basis. The additional funding used to cover this excess of expenditures came from the accumulated profit earned on these programs during prior years.
- Total revenue and expenditures for the General Fund decreased by \$92,742 and \$31,682, respectively, and is primarily due to the slight decrease in overall funding awarded by the various federal, state and local grantors.

#### *Agency Fund Activities*

Total assets and liabilities increased by \$39,227, which represents a 9.6% increase from year-end 2004. This increase is due to an increase in wages and accrued paid time off of current employees.

### Overview of the Financial Statements

The Council is an alliance of three governmental units: the City of Grand Rapids, the County of Kent and the County of Allegan. Elected officials, including the chief elected official of each unit and others appointed by their respective bodies, plan and implement employment and training and family support programs to provide opportunities for economic self-sufficiency to residents residing in the respective units of government.

Within the General Fund, the Council has the following divisions:

Employment and Training: This division is responsible for the planning, implementation and oversight of a variety of employment and training programs designed to upgrade the workforce in our Michigan Works! Area. Funding sources are primarily federal, and include state and local support.

Community Action: This division is responsible for the planning and delivery of family support services in the County of Kent. Direct services are provided, such as advocacy, referral, housing and shelter related assistance, food assistance, and related case management. Funding sources are primarily from federal grants plus state and local support to a lesser extent.

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AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL  
MANAGEMENT DISCUSSION AND ANALYSIS  
Years ended June 30, 2005 and 2004

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**Financial Analysis of Area Community Services Employment and Training Council**

***Net Assets***

The net assets of the Council were \$735,919 at June 30, 2005, an increase of \$74,768 from year-end 2004. Total assets decreased by \$564,551 and total liabilities decreased by \$639,319.

	<u>2005</u>	<u>2004</u>
Assets	\$ 3,175,780	\$ 3,740,331
Liabilities	<u>2,439,861</u>	<u>3,079,180</u>
Net Assets	<u>\$ 735,919</u>	<u>\$ 661,151</u>

***Change in Net Assets***

Net assets increased by \$74,768 for the year ended June 30, 2005, from year-end 2004.

	----- Year Ended -----	
	<u>2005</u>	<u>2004</u>
Revenues	\$ 21,295,431	\$ 21,388,173
Expenses	<u>21,220,663</u>	<u>21,252,345</u>
Change in net assets	<u>\$ 74,768</u>	<u>\$ 135,828</u>

**Capital Assets and Debt Administration**

The Council owns no buildings. The only capital assets are office furniture and equipment, vehicles, and computer hardware and software.

The Council has no debt.

**Economic and other Factors**

The Council is feeling the effects of the stagnant economy as evidenced by the large number of unemployed workers and the increasing numbers of individuals presenting themselves for services. While we are able to provide service to most individuals seeking them, the Council is limited to the funding awarded by various federal, state and local grantors.

AREA COMMUNITY SERVICES EMPLOYMENT AND TRAINING COUNCIL  
MANAGEMENT DISCUSSION AND ANALYSIS  
Years ended June 30, 2005 and 2004

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**Contacting the Area Community Services Employment  
and Training Council's Financial Management**

This financial report is designed to provide our board members and the citizens with a general overview of the Council's finances and to demonstrate the Council's accountability for the money it receives and administers. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, ACSET Council, 144 E. Fulton, Grand Rapids, MI 49503.



Crowe Chizek and Company LLC  
Member Horwath International

## REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

The Governing Board  
Area Community Service Employment  
and Training Council  
Grand Rapids, Michigan

We have audited the accompanying government funds balance sheet/statement of net assets and statement of fiduciary net assets – fiduciary fund of Area Community Service Employment and Training Council (the Council) as of June 30, 2005 and 2004 and the related statement of governmental funds revenue and expenses and changes in fund balance/statement of activities, and budgetary comparison statement – general fund, for the years then ended. These general purpose financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of June 30, 2005 and 2004, and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2006 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

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Our audits were performed for the purpose of forming an opinion on the financial statements of the Council taken as a whole. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Management's Discussion and Analysis (MD&A) on pages 1 through 3 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

  
Crowe Chizek and Company LLC

Grand Rapids, Michigan  
March 22, 2006



AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS  
June 30, 2005 and 2004

	2005		2004	
	General Fund	Reclassifications	Statement of Net Assets	Statement of Net Assets
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 42,675	\$	42,675	\$ 44,731
Accounts receivable - grantors	2,342,948		2,342,948	3,037,226
Prepaid expenses	168,565		168,565	140,093
Travel and other advances	12,436		12,436	5,371
Property and equipment - net (Note 3)		\$ 609,156	609,156	512,910
	<u>\$ 2,566,624</u>	<u>\$ 609,156</u>	<u>\$ 3,175,780</u>	<u>\$ 3,740,331</u>
<b>LIABILITIES AND FUND BALANCE/NET ASSETS</b>				
<b>Liabilities</b>				
Accrued subrecipient program costs	\$ 1,866,053	\$	1,866,053	\$ 2,535,950
Accounts payable	150,889		150,889	136,254
Advance from grantors	331,912		331,912	286,595
Accrued payroll	78,821		78,821	101,748
Due to component unit	12,186		12,186	18,633
Total liabilities	<u>2,439,861</u>		<u>2,439,861</u>	<u>3,079,180</u>
Fund balance				
Unreserved	<u>126,763</u>	\$ (126,763)		\$ (148,241)
	<u>\$ 2,566,624</u>			<u>\$ 3,227,421</u>
<b>Net assets</b>				
Invested in property and equipment		609,156	609,156	512,910
Unrestricted		<u>126,763</u>	<u>126,763</u>	<u>148,241</u>
		<u>735,919</u>	<u>735,919</u>	<u>661,151</u>
		<u>\$ 609,156</u>	<u>\$ 3,175,780</u>	<u>\$ 512,910</u>
				<u>\$ 3,740,331</u>

See accompanying notes to financial statements.

AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
STATEMENTS OF GOVERNMENTAL FUND REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
Years ended June 30, 2005 and 2004

	2005		2004	
	General Fund	Reclassifications	Statement of Activities	General Fund
Revenues				
Grants	\$ 21,295,431		\$ 21,295,431	\$ 21,388,173
Expenses				
Subrecipient program costs	13,311,463	\$ (65,990)	13,245,473	13,876,820
Direct client services	2,745,412		2,745,412	2,685,690
Operating expenses				
Salaries and wages	2,346,868		2,346,868	2,227,399
Fringe benefits	842,482		842,482	783,298
Office supplies and postage	213,266		213,266	138,014
Travel	212,440		212,440	160,967
Outside services	229,855		229,855	102,915
Occupancy expense	706,960		706,960	757,763
Equipment lease and maintenance	62,370		62,370	103,757
Small equipment and supplies	218,781	(213,919)	4,862	124,787
Depreciation		183,663	183,663	
Other expenses	427,012		427,012	
	<u>21,316,909</u>	<u>(96,246)</u>	<u>21,220,663</u>	<u>21,311,799</u>
				<u>21,252,345</u>
Excess of revenues over expenses	(21,478)	21,478		(76,374)
Change in net assets				
Fund balance/net assets - at beginning of year				
Fund balance/net assets - end of year				
	<u>\$ 126,763</u>	<u>\$ 0</u>	<u>\$ 735,919</u>	<u>\$ 148,241</u>
				<u>\$ 0</u>
				<u>\$ 661,151</u>

See accompanying notes to financial statements.

AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
STATEMENTS OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS  
June 30, 2005 and 2004

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	Agency Fund	
	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 339,527	\$ 293,853
Investments (Note 2)	95,000	95,000
Due from general fund	<u>12,186</u>	<u>18,633</u>
	<u>\$ 446,713</u>	<u>\$ 407,486</u>
<b>LIABILITIES</b>		
Accrued compensated absences	<u>\$ 446,713</u>	<u>\$ 407,486</u>
	<u>\$ 446,713</u>	<u>\$ 407,486</u>

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See accompanying notes to financial statements.

AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
BUDGETARY COMPARISON STATEMENTS - GENERAL FUND  
Years ended June 30, 2005 and 2004

	2005		2004	
	Original Budget	Final Budget	Actual	Variance
Revenues				
Federal grants	\$ 25,990,097	\$ 26,184,351	\$ 21,295,431	\$ (4,888,920)
			\$ 23,992,871	\$ 21,388,173
				\$ (2,604,698)
Expenses				
Subrecipient program costs	18,238,190	18,238,190	13,311,463	4,926,727
Direct client services	2,542,749	2,542,749	2,745,412	(202,663)
Operating expenditures/expenses				
Salaries and wages	2,442,419	2,392,419	2,346,868	45,551
Fringe benefits	879,490	854,490	842,482	12,008
Office supplies and postage	161,263	211,263	213,266	(2,003)
Travel	183,200	208,200	212,440	(4,240)
Outside services	119,000	202,000	229,855	(27,855)
Occupancy expense	727,400	727,400	706,960	20,440
Equipment lease and maintenance	97,000	67,000	62,370	4,630
Small equipment and supplies	131,200	238,200	218,781	19,419
Other expenses	291,518	415,518	427,012	(11,494)
	<u>25,813,429</u>	<u>26,097,429</u>	<u>21,316,909</u>	<u>4,780,520</u>
			<u>23,395,440</u>	
			<u>21,311,799</u>	<u>2,083,641</u>
Revenues over (under) expenses	\$ 176,668	\$ 86,922	\$ (21,478)	\$ (108,400)
			\$ 597,431	\$ 76,374
				\$ (521,057)

(1) Original and final budget

See accompanying notes to financial statements.

AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005 and 2004

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: Area Community Services Employment and Training Council (Council) was formed in October, 1985, through an Interlocal Agreement between Kent County and the City of Grand Rapids pursuant to the Michigan Urban Cooperation Act of 1967. The Interlocal Agreement was amended on July 1, 1996 to include Allegan County. The Council was established to serve as the primary advocate for the reduction of causes, conditions and effects of poverty, providing social and economic opportunities that foster self-sufficiency for low income persons, administer programs to prepare youth and unskilled adults for entry into the labor force, and to afford job training to those economically disadvantaged individuals and other persons facing serious barriers to employment who are in need of such services.

Accordingly, the Council is designated for Kent and Allegan County as the grant recipient/administrative entity, pursuant to the Workforce Investment Act, and as the community action agency for Kent County, pursuant to the Michigan Economic and Social Opportunity Act. Approximately 96% of the Council's grants receivable and 97% of its revenues for the year ended June 30, 2005 were derived from contracts with agencies of the State of Michigan. Contract terms vary on a contract-to-contract basis.

Government-Wide and Fund Financial Statements: The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures/expenses generally are recorded when a liability is incurred, as under accrual accounting.

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(Continued)

AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005 and 2004

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Council only uses governmental funds. Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Fund Accounting: The Council uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The funds used by the Council are summarized by type for financial reporting purposes as governmental and fiduciary funds as follows:

**General Fund:** The general fund is a governmental fund used to account for all activities of the Council financed through federal, state and local grant program sources.

**Agency Fund:** The agency fund is a fiduciary fund used to report assets held by the Council to satisfy its obligation for compensated absences of its employees. The assets are held in a custodial capacity only.

Budgets: The Council annually adopts a budget for its general fund by July 1. In the event the budget needs to be amended, a majority of the voting members must approve the amended budget in a regular Council meeting.

Cash and Cash Equivalents: Cash and cash equivalents include amounts on deposit with financial institutions.

Investments: Investments consist of certificates of deposit and are stated at market value.

Property and Equipment: Property and equipment, consisting of office furniture and equipment, computers, software and vehicles, are recorded at cost for purchased assets and at estimated fair market value on the date received for donated assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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(Continued)

AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005 and 2004

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Depreciation of all property and equipment is charged to an expense against operations. Depreciation has been provided using the straight-line method over the average service life of the property, from five to seven years.

Accounts Receivable: Accounts receivable include amounts billed or billable to grantors, net of an allowance for uncollectible amounts. Management establishes an allowance for losses based on specific situations and grant terms and conditions. Losses are written off to the allowance when management determines that further collection efforts will not produce additional recoveries. As of June 30, 2005 and 2004, no allowance was necessary.

Compensated Absences: Council employees earn and accumulate vacation and sick leave in varying amounts based on hours worked and length of service. At termination, employees are entitled to receive payment for unused, accumulated vacation in accordance with established policies and formulas.

Accordingly, the Council recognizes the cost of compensated absences for vacation and sick leave when earned. Assets and the related liability for compensated absences are recorded in the Agency Fund.

Fund Balance: The amount reported as unreserved fund balance in the accompanying balance sheet represents the accumulated excess of program revenues over expenditures. Such excesses were properly earned by the Council and do not represent program income for federal and state grant purposes. Accordingly, the unreserved fund balance reflects non-grant financial resources available for future appropriation.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain prior year financial statement amounts have been reclassified to conform with the current year's presentation.

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(Continued)

AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005 and 2004

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Deposits: At June 30, 2005 and 2004, the carrying amount of cash was \$381,952 and \$338,334, respectively. Of the bank balances, \$209,497 and \$209,061, respectively, was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining bank balances of \$1,072,211 and \$476,521 were not collateralized at June 30, 2005 and 2004, respectively.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Council will not be able to recover its deposits. The Council's investment policy does not contain requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following disclosure: Act 217, P.A. 1982, authorizes units of local government to deposit funds in accounts of federally insured banks, credit unions and savings and loan associations.

Investments: At September 30, 2005 and 2004, the Council's investments were as follows:

	<u>2005</u>	<u>2004</u>
Insured (FDIC) certificate of deposit	\$ 95,000	\$ 95,000

Credit Risk: The Council investment policy limits the investments in certificates of deposits to banks which are federally insured. It's investment listed above meets this requirement.

**NOTE 3 - PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment as of June 30, 2005 and 2004:

	----- June 30, 2005 -----		
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>
<u>General Fund</u>			<u>Ending Balance</u>
Cost			
Office furniture and equipment	\$ 206,027	\$ 205,085	\$ 411,112
Computers	555,827	74,824	630,651
Software	91,118		91,118
Vehicles	161,358		161,358
	<u>1,014,330</u>	<u>279,909</u>	<u>1,294,239</u>
Accumulated depreciation			
Office furniture and equipment	34,235	44,305	78,540
Computers	317,577	89,633	407,210
Software	46,600	22,872	69,472
Vehicles	103,008	26,853	129,861
	<u>501,420</u>	<u>183,663</u>	<u>685,083</u>
Total General Fund property and equipment - net	<u>\$ 512,910</u>	<u>\$ 96,246</u>	<u>\$ 609,156</u>

(Continued)



AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005 and 2004

**NOTE 3 - PROPERTY AND EQUIPMENT (Continued)**

	June 30, 2004			
	Beginning Balance	Additions	Retirements	Ending Balance
<u>General Fund</u>				
Cost				
Office furniture and equipment	\$ 117,061	\$ 88,966		\$ 206,027
Computers	470,118	85,709		555,827
Software	60,491	30,627		91,118
Vehicles	<u>139,744</u>	<u>21,614</u>		<u>161,358</u>
	787,414	226,916		1,014,330
Accumulated depreciation				
Office furniture and equipment	10,265	23,970		34,235
Computers	225,713	91,864		317,577
Software	25,082	21,518		46,600
Vehicles	<u>72,898</u>	<u>30,110</u>		<u>103,008</u>
	<u>333,958</u>	<u>167,462</u>		<u>501,420</u>
Total General Fund property and equipment – net	<u>\$ 453,456</u>	<u>\$ 59,454</u>		<u>\$ 512,910</u>

**NOTE 4 - CONTINGENT LIABILITIES**

Under the terms of its Federal and State grants, periodic audits are required and certain costs may be questioned as not representing appropriate expenditures under the terms of those grants. Such audits could lead to reimbursement to the grantor agencies. Council management believes any such disallowances would be minimal.

**NOTE 5 - RETIREMENT PLAN**

The Council provides retirement benefits to substantially all employees through a defined contribution money purchase retirement plan, which is administered by a life insurance company. Required contributions are equal to 14% of gross wages paid to participating employees (i.e. the employer contributes 7% and the employees contribute 7%) and all contributions are fully and immediately vested.

Employer contributions to the plan amounted to \$155,798 on \$2,202,107 of covered wages and \$2,289,904 of total wages for 2005 and \$146,313 on \$1,883,674 of covered wages and \$2,104,323 of total wages for 2004.

(Continued)

AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005 and 2004

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**NOTE 6 - LEASES**

The Council leases office space and various office equipment and vehicles. Lease terms range from two to four years with options to renew at varying terms. Rent expense for operating leases for the years ended June 30, 2005 and 2004 were \$360,306 and \$326,890, respectively.

Minimum future lease payments under noncancelable operating leases as of June 30, 2005 are as follows:

2006	\$ 228,453
2007	197,473
2008	116,210
2009	108,212
2010	108,975
Thereafter	<u>181,647</u>
	<u>\$ 940,970</u>

All leases include a provision that allows the Council to terminate the lease agreement if grant funds received from the state or federal government are terminated or reduced in a way that it is unable to maintain a comparable level of program services, or the lessor is determined by the Department of Labor to be restricted from receiving federal funds.

**NOTE 7 - RISK MANAGEMENT**

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees; and natural disasters. The Council has purchased commercial insurance to cover these risks. The amount of coverage has not decreased nor has the amount of settlements exceeded coverage in the past three years.

**SUPPLEMENTARY INFORMATION**

AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2005

<u>Federal Grantor/Program Titles</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. Department of Labor</b>			
Passed Through Michigan Department of Career Development			
Workforce Investment Act - Admin	N/A	17.260	\$ 852,229
Workforce Investment Act - Youth	N/A	17.259	1,474,646
Workforce Investment Act - Dislocated Workers	N/A	17.260	2,254,602
Workforce Investment Act - Service Center	N/A	17.260	341,245
Workforce Investment Act - Adult	N/A	17.258	1,655,475
Workforce Investment Act - Incumbent Worker	N/A	17.267	194,493
Workforce Investment Act - Capacity Building	N/A	17.260	24,000
Displaced Homemaker Program	N/A	17.260	39,480
W/P Employment Service Centers	N/A	17.207	1,285,668
W/P Trade Adjustment Service	N/A	17.245	2,074,488
Welfare to Work	N/A	93.558	8,181
			<u>10,204,507</u>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Michigan Department of Career Development			
Work First - Reed Act	N/A	93.558	1,616,673
Work First TANF	N/A	93.558	3,568,381
TANF Case Management	04/05-41016	93.558	114,047
Passed Through Family Independence Agency			
Community Service Block Grant	04/05-41016	93.569	842,537
CSBG Discretionary Migrant Service	04/05-41016	93.569	3,160
LIHEAP	04/05-41016	93.568	290,896
LIHEAP Deliverable Fuels	04/05-41016	93.568	96,054
Passed Through the Area Agency on Aging of Western Michigan			
AAAWM Latin Services	51.10	93.044	38,289
Passed Through Senior Meals Inc.			
Latin Services - Congregate/Home Delivery	6005.10	13.635	157,311
Congregate/Home Delivery	6005.11	13.635	61,107
			<u>6,788,455</u>

(Continued)

AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2005

<u>Federal Grantor/Program Titles</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Passed Through Michigan Department of Education			
Commodity (Food) Distribution	41000-10340	10.569	
Administration			\$ 383,211
Food distribution			1,255,325
Commodity Surplus Food	41000-10340	10.569	
Administration			94,561
Food distribution			328,989
Passed Through Michigan Department of Career Development			
Food Stamp Employment Training	N/A	10.561	66,069
Food Stamp Supportive Service	N/A	10.561	<u>1,030</u>
			2,129,185
<b>U.S. Department of Energy</b>			
Passed Through Family Independence Agency			
Weatherization	04/05-41016	81.042	435,005
<b>U.S. Department of Housing &amp; Urban Development</b>			
Passed Through City of Grand Rapids			
CDBG Paint Project	16170	14.218	45,298
LLEBG Crime Prevention	17001ZQ	16.523	<u>24,699</u>
			69,997
<b>Federal Emergency Management Agency</b>			
Housing Assistance	N/A	83.523	<u>48,483</u>
			<u>\$ 19,675,632</u>

AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2005

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Area Community Service Employment and Training Council (Council) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. Therefore, some amounts in this schedule may differ from the amounts presented in the general purpose financial statements.

**NOTE 2 - NONCASH ASSISTANCE**

The Council receives various food commodities from the United States Department of Agriculture (USDA) (passed through the Michigan Department of Education) which it distributes to needy families in the area. Food commodities are stated at fair market value as determined by the USDA.



Crowe Chizek and Company LLC  
Member Horwath International

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

The Governing Board  
Area Community Service Employment  
and Training Council  
Grand Rapids, Michigan

We have audited the financial statements of Area Community Service Employment and Training Council (the Council) as of and for the year ended June 30, 2005, and have issued our report thereon dated March 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Governing Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe Chizek and Company LLC

Grand Rapids, Michigan  
March 22, 2006





Crowe Chizek and Company LLC  
Member Horwath International

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Governing Board  
Area Community Service Employment  
and Training Council  
Grand Rapids, Michigan

Compliance

We have audited the compliance of Area Community Service Employment and Training Council (the Council) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

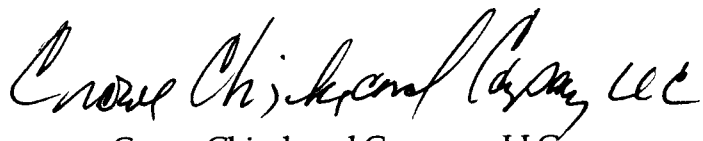
In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

## Internal Control Over Compliance

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Governing Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe Chizek and Company LLC

Grand Rapids, Michigan  
March 22, 2006

AREA COMMUNITY SERVICE EMPLOYMENT AND TRAINING COUNCIL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Years ended June 30, 2005 and 2004

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1. Summary of Auditor's Results:

- a. An unqualified opinion was issued on the financial statements of Area Community Service Employment and Training Council for the year ended June 30, 2005.
- b. The audit disclosed no instances of noncompliance which are material to the financial statements.
- c. An unqualified opinion was issued to Area Community Service Employment and Training Council on their compliance for major programs.
- d. Major programs identified: Work First  
W/P Employment Services  
W/P Trade Adjustment Service
- e. The threshold used to distinguish between Type A and Type B programs was \$590,039.
- f. The Area Community Service Employment and Training Council qualified as a low risk auditee.

2. Findings related to the financial statements which are required to be reported in accordance with GAGAS:

None

3. Findings and questioned costs for federal awards findings defined in OMB Circular A-133 Section 510 (a):

None

4. There were no prior year findings.



Crowe Chizek and Company LLC  
Member Horwath International

To the Governing Board  
Area Community Service Employment  
and Training Council  
144 East Fulton  
Grand Rapids, Michigan 49503

In planning and performing our audit of the financial statements of Area Community Service Employment and Training Council ("the Council") for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that might be of interest to you.

### **CURRENT YEAR RECOMMENDATIONS**

#### **MANAGEMENT REVIEW OF BUDGETS**

While detailed budgets for the general operating expenses and the various programs are utilized by management and the program directors, the Council is lacking an effective summary budget report of the Council's operations. An actual-to-budget report that summarizes the program's revenue and expenditures into a more simplified format would be a valuable tool for management and the board.

#### **AUTOMATION OF PAYROLL PROCESS**

Time sheets with allocation of hours between programs are tracked manually on paper by each employee. The payroll staff has to manually input the data from the time sheets into the computer for submission to ADP. This process could be made more efficient if a payroll software with electronic time sheets were to be implemented. Further efficiency gains can be obtained by integrating the payroll software with ADP.

## **PRIOR YEAR RECOMMENDATIONS STATUS REPORT**

### **SEGREGATION OF DUTIES - BANK DEPOSITS**

The receptionist opens the mail and, for checks received, records the amount and remittance information into a control log. The control log is retained by the receptionist and the checks are forwarded to the financial accounting manager or accounting supervisor who stamps the check "for deposit only", prepares the duplicate deposit slip and makes the bank deposit. The daily receipts are then recorded by one of these two individuals.

These activities of receiving and recording cash receipts have not been fully segregated and certain procedures should be modified to improve controls in this area. We recommend a complete segregation of the duties involving the receipt and recording of the daily cash receipts. Accordingly, the receptionist should stamp the checks "for deposit only" and enter the total amount of the checks on the control log. A second individual should prepare the deposit slip and make the deposit. Someone independent of opening the mail and making the deposit should then record the cash receipts after agreeing the deposit slip to the control log total.

#### **Current Status**

Management has strengthened controls in this area by requiring the receptionist to prepare a "checks received" control log, complete with check amount. This control log must be signed by the accounting manager or accounting supervisor when the checks are passed along to them. In addition, the tasks of creating the deposit slip, making the deposit, and posting the receipts have been segregated among various accounting personnel.

### **USE OF SIGNATURE STAMPS**

The Council has a policy requiring the signature of two of three designated individuals on all checks. In situations where a second individual is not present, the signature stamp of the executive director is used. So that the control gained by requiring two signatures is not lost in these situations, we recommend that the executive director initial the duplicate copy of the check to document review and approval.

#### **Current Status**

The Council has adopted the recommendation as the Executive Director is reviewing and initialing the duplicate copy of any check in which the signature stamp is used.

### **PREPARATION AND APPROVAL OF JOURNAL ENTRIES**

We noted a lack of segregation of duties in the preparation, approval and review of journal entries. In several instances, it appeared the same individual performed all of these functions. The general ledger detail indicates the employee number of the individual that posts the entry; however, we noted entries with an employee number that did not match the individual that actually posted the entry. In addition, we noted several instances where there was no documentation supporting the journal entries.

To prevent unauthorized journal entries, we recommend that all journal entries be fully documented and initialed by the preparer. They should be reviewed by a supervisor and initialed to indicate approval. Finally, only authorized individuals should post the entries using their valid employee number as an audit trail.

#### Current Status

During our review of journal entries we noted that the journal entries now contain the initials of the individuals preparing, reviewing, and posting the entries. In addition, the appropriate supporting documents were attached to each entry.

#### **AUDIT PREPARATION**

This is the second successive year that the audit has been completed well past what we mutually expected. Some of the delay relates to the timing of the receipt of information from subrecipients and extra work by the Council staff because the majority of the grants have a reporting period other than June 30. We experienced multiple delays and received several trial balances before a final was provided. In addition, the information we ask your staff to prepare in advance of our fieldwork is routinely incomplete when we arrive. The ultimate resolution of these open items does not seem to be a priority to complete the audit. All of these situations create significant inefficiencies and additional cost of the audit.

#### Current Status

While improvements were made by management with regards to their level of preparedness, we still noted that the final trial balance was not available until nearly six months after year end and several items we had requested were incomplete upon our arrival.

This report is intended solely for the information and use of the Governing Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Chizek and Company LLC

Grand Rapids, Michigan  
March 22, 2006